

Metal Alloys Corporation

Instrument	Amount	Rating Action
Fund based – Working Capital	Rs. 12.00 crore [^]	[ICRA]BB-(Stable); Re-affirmed
Non-fund Based – LC/BG	Rs. 5.00 crore	[ICRA]A4; Re-affirmed

[^]EPC of Rs. 6.50 crore as sub-limit

ICRA has re-affirmed the [ICRA]BB- (pronounced as ICRA double B minus) rating to the Rs. 12.00 crore¹ cash credit facility of Metal Alloys Corporation (MAC)². ICRA has also re-affirmed the [ICRA]A4 (pronounced ICRA A four) rating to the Rs. 5.00 crore short-term non-fund based facility of MAC. The outlook on the long-term rating remains '**Stable**'.

The rating continues to remain constrained by MAC's moderate scale of operations as well as decline in operating profit margins owing to higher trading activity during FY2016. The ratings are further constrained by weak financial profile of the company reflected by losses at the net level, leveraged capital structure and weak debt coverage indicators in FY2016. The ratings also take into account the working capital intensive nature of operations resulting in pressure on liquidity and exposure to exchange rate fluctuations, although the risk is partly mitigated by natural hedging as well as the vulnerability of profitability to adverse fluctuations in the raw material prices.

The ratings, however, favourably take into account the long track record of the promoters in the industry as well as a well-established clientele base supported by the firm's approved vendorship from various Government and non-Government organisations, including BHEL, IOCL, NTPC, and SAIL, etc. The ratings further draw comfort from the improvement in the operating margin of MAC in H1 FY2017 as per the certified financials. The ratings also factor in diversification of MAC's products for application in various industries.

Going forward, the firm's ability to increase its scale, maintain adequate profitability and improve its capital structure, given the volatility in prices and high working capital requirement, will remain critical to the credit metrics. ICRA also notes that MAC is a partnership concern and any substantial withdrawal from the capital account in the future could adversely impact the credit profile of the firm.

Company Profile

Metal Alloys Corporation (MAC) was established in 2005 by Mr. Mukesh Kanakhara along with five other partners. Later in 2011, Mr. Pratik R. Kabra and Mrs. Dhawani V Maheshwari took over the ownership and management of the firm. It currently manufactures copper and copper alloy-based products, such as billets, ingots, tubes, rods, sections, and pipes of different sizes, with the annual iproduction capacity of 6,000 metric tonnes. The 1,50,000 sq. ft. manufacturing facility of the firm is located at Jamnagar, Gujarat. The firm's products find application in various industries such as petrochemicals, oil refineries, thermal and nuclear power, chemicals and fertilisers.

Recent Results

For the year-ended March 31, 2016, the firm reported an operating income of Rs. 54.48 crore with net losses of Rs. 0.05 crore. Furthermore, as per its certified financials, the firm has reported an operating income of Rs.38.56 crore in H1 FY2017.

December 2016

¹ 100 lakh = 1 crore = 10 million

²For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.



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